

**BYLAWS
OF
THE WATERS SUBDIVISION OWNERS ASSOCIATION, INC.**

These are the Bylaws of the The Waters Subdivision Owners Association, Inc., a Florida nonprofit corporation (the "Association"), adopted concurrently with the Declaration of Covenants and Restrictions for The Waters Subdivision (the "Declaration") to which these Bylaws are attached as Exhibit D. Capitalized terms used herein without definition shall have the meanings specified for such terms in the Declaration.

**ARTICLE I
GENERAL**

Section 1. Applicability. These Bylaws provide for the governance of that certain residential subdivision known as The Waters Subdivision located in Santa Rosa county Florida, pursuant to the requirements of the applicable law (including applicable ordinances) and the Florida Non-Profit Corporation Law. All references to Owners in these Bylaws will mean Owners of Lots.

Section 2. Compliance. Every Owner and all those entitled to occupy a portion of the Property shall comply with these Bylaws, and the Rules and Regulations adopted by the Association.

Section 3. Office. The office of the Association and the Board of Directors of the Association shall be located within the Property or at such other place as may be designated from time to time by the Board of Directors.

**ARTICLE II
OWNERS ASSOCIATION**

Section 1. Composition.

(a) There are two (2) types of membership in the Association: Class A Membership and Class B Membership. The Class A Membership shall consist of all of the Owners acting as a group in accordance with the Act pursuant to the Declaration and these Bylaws. The Class B Membership shall consist of the Declarant, as defined in the Declaration, until termination of the Class B Control Period, as set forth in the Declaration. After termination of the Class B Control Period, the Association shall consist only of Class A Members.

(b) For all purposes, the Association shall act merely as an agent for the Owners as a group. The Association shall have the responsibility of administering the Property, establishing the means and methods of collecting assessments and charges, arranging for the management of the Property and performing all other acts that may be required or permitted to be performed by the Association by the Declaration and applicable law. Except as to those matters which applicable law specifically requires to be performed by the vote of the Association, the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth in Article III of these Bylaws.

Section 2. Annual Meetings. The annual meeting of the Association shall be held each year on or before March 1 of each year. At such annual meeting, the Board of Directors shall be elected by ballot of the Owners in accordance with the requirements of Sections 3 and 4 of Article III of these Bylaws. So long as Declarant shall be a Class B Member of the Association Declarant shall be entitled to designate the members of the Board of Directors, Declarant shall select the members of the initial Board of Directors as listed in the Articles of Incorporation.

Section 3. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Owners as may be designated by the Board of Directors.

Section 4. Special Meetings.

(a) The President shall call a special meeting of the Association if so directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by Owners of not less than fifty (50%) percent of total number of the Lots in The Waters Subdivision. The notice of any special meeting shall state the time, place, and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Pursuant to the terms of the Declaration, upon termination of the Class B Control Period, a special meeting of the Association shall be held at which all of the members of the Board of Directors designated by Declarant shall resign, and the Owners, including Declarant if Declarant owns one or more Lots, shall thereupon elect successor members of the Board of Directors.

Section 5. Notice of Meetings. The Secretary shall mail to each Owner a notice of each annual and special meeting of the Owners at least ten (10) days but not more than sixty (60) days prior to the date fixed for the meeting. Such notice of the annual meeting shall state the time and place of the meeting and shall also state the purpose of the meeting if a specified action is to be taken at the meeting. In the case of a special meeting, such notice shall state the purpose of the meeting. Notice shall be deemed given upon delivery, or if the notice is mailed, when such notice is placed in the United States mail, postage prepaid and addressed to an Owner at his or her last known address on record with the Association.

Section 6. Quorum and Adjournment of Meetings. Except as otherwise provided in these Bylaws, the presence in person or by proxy of the voting Members (Owners) holding over fifty (50%) percent of the total number of the Lots in The Waters Subdivision shall constitute a quorum at any meeting of the Association.

If at any meeting of the Association a quorum is not present, or the withdrawal of enough Members leaves less than a quorum present at a meeting already called to order, Owners may continue to transact business, or Owners of a majority of the total number of Lots present at such meeting in person or by proxy may adjourn the meeting to a time and place they determine. Notice of such second meeting shall be attempted pursuant to Section 5 of this Article.

Section 7. Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a) roll call;
- (b) proof of notice of meeting;
- (c) reading of minutes of preceding meeting;
- (d) reports of officers;
- (e) report of Board of Directors;
- (f) reports of committees;
- (g) election or appointment of inspectors of election (when so required);
- (h) old business; and
- (i) new business.

Section 8. Title to Lots. Title to a Lot may be taken in the name of one or more Persons, in any manner permitted by law. The Association may acquire, hold and transfer full legal title to one or more Lots in The Waters Subdivision in its own name, but only if the unanimous consent of the Members of the Association is obtained.

Section 9. Voting. To the extent of voting rights granted to Owners, voting at all meetings of the Association shall be exercised by the Owners, unless otherwise set forth in the Declaration. Each Owner shall be entitled to vote based on the number of Lots such Owner owns in The Waters Subdivision. Each Lot shall be entitled to one (1) vote. Where the ownership of a Lot is in more than one Person, the Person who shall be entitled to cast the vote of such Lot shall be the Person named in a certificate executed by all of the owners of such Lot and filed with the Secretary or, in the absence of such named Person from the meeting, the Person who shall be entitled to cast the vote of such Lot shall be the Person owning such Lot who is present. If more than one Person owning such Lot is present then such vote shall be cast only in accordance with their unanimous agreement. Such certificate shall be valid until revoked by a subsequent certificate similarly executed. Wherever the approval or disapproval of an Owner is required by applicable law, the Declaration or these Bylaws, such approval or disapproval shall be made only by the Person who would be entitled to cast the vote of such Lot at any meeting of the Association.

Except where a greater number is required by applicable law, the Declaration or these Bylaws, the owners of more than fifty (50%) percent of the total number of the Lots in The Waters Subdivision voting in person or by proxy at a duly convened meeting at which a quorum is present are required to adopt decisions at any meeting of the Association. Any specified percentage of the Owners means the Owners owning such percentage interests in the aggregate.

If Declarant owns or holds title to one or more Lots, Declarant shall have the right at any meeting of the Association to cast the vote of such Lot or Lots. No Owner may vote at any meeting of the Association or be elected to or serve on the Board of Directors if the Association has perfected a lien and privilege against his Lot as a result of the Owner's failure to pay his assessment of the Common Expenses, and the amount necessary to release such lien and privilege has not been paid at the time of such meeting or election.

Section 10. Amendment of Bylaws. These Bylaws may be amended, altered or rescinded only by the vote of not less than seventy-five percent (75%) of the members of the Board of Directors, subject to the approval of the Owners representing not less than seventy-five percent (75%) of the total number of the Lots in The Waters Subdivision.

Section 11. Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Owner in favor of only another Owner, a mortgagee or Declarant. Proxies shall be duly executed in writing, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from the Owner owning such Lot. Except with respect to proxies in favor of a mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eighty (180) days after the execution thereof.

Section 12. Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting as well as a record of all transactions occurring during the meeting. The President may appoint a person to serve as a parliamentarian at any meeting of the Association. All votes shall be tallied by persons appointed by the President or other officer presiding over the meeting.

ARTICLE III BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. Until termination of the Class B Control Period, and thereafter until their successors shall have been elected by the Owners, the Board of Directors shall consist of such persons as may be designated by Declarant.

The Board of Directors shall be composed of not less than three (3) persons nor more than five (5) persons, all of whom shall be Owners or spouses of Owners, mortgagees (or designees of mortgagees) or designees of Declarant. Notwithstanding any statement in these Bylaws to the contrary, during the Class B Control Period, the Board of Directors shall be composed of at least three (3) persons designated by Declarant.

Section 2. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not required to be exercised and done by the Association or Owners by applicable law, the Declaration or these Bylaws. The Board of Directors shall have the power from time to time to adopt any Rules and Regulations deemed necessary for the benefit and enjoyment of the Property; provided, however, that such Rules and Regulations shall not be in conflict with applicable law, the Declaration or these Bylaws. In addition to the duties imposed by applicable law, the Articles of Incorporation, the Declaration, and these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall on behalf of the Association cause each of the following to be done:

- (a) The Board of Directors shall prepare an annual budget in which there shall be established the assessments of Owners for the Common Expenses.
- (b) The Board of Directors shall make assessments against Owners to defray the costs and expenses of the Common Area, establish the means and methods of collecting such assessments from the Owners and establish the period of the installment payment of the annual assessment for Common Expenses. Unless otherwise determined by the Board of Directors, the annual assessment against each Owner shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month.
- (c) The Board of Directors shall provide for the operation, care, upkeep and maintenance of all of the Common Area and services therefore.
- (d) The Board of Directors shall designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Area and provide service for the Property and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the Property.
- (e) The Board of Directors shall collect the assessments against the Owners, deposit the proceeds thereof in Bank depositories designated by the Board of Directors and use the proceeds to carry out the administration of the Property.
- (f) The Board of Directors shall make and amend the Rules and Regulations, as the Board of Directors, in its discretion to be in the best interest of the Association and the Members.
- (g) The Board of Directors shall open bank accounts on behalf of the Association and designate the signatories thereon.
- (h) The Board of Directors shall make, or contract for the making of, repairs, additions and improvements to or alterations of the Common Area, and repairs to and restoration of the Common Area, in accordance with these Bylaws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.
- (i) The Board of Directors shall enforce by legal means the provisions of the Declaration, these Bylaws and the Rules and Regulations and act on behalf of the Owners with respect to all matters arising out of any eminent domain proceeding.

- (j) The Board of Directors shall cause the Association to obtain and carry insurance to protect the Association against casualties and liabilities, as necessary in the Board of Directors' discretion, pay the premiums therefor, and adjust and settle any claims thereunder.
- (k) The Board of Directors shall cause the Association to pay the cost of all authorized services rendered to the Association and not charged to Owners of individual Lots or otherwise provided for in these Bylaws.
- (l) The Board of Directors shall cause the books of the Association to be maintained with detailed accounts in chronological order of the receipts and expenditures affecting the Property and the administration of the Property specifying the expenses of maintenance and repair of the Common Area and any other expenses incurred. Such books and vouchers accrediting the entries thereupon shall be available for examination by the Owners, their duly authorized agents or attorneys, during general business hours on business days at the times and in the manner set and announced by the Board of Directors for the general knowledge of the Owners. All books and records shall be kept in accordance with good and accepted accounting practices, and the same shall be audited at least once each year by an independent accountant retained by the Board of Directors who shall not be an occupant of the Property or an Owner. The cost of such audit shall be a Common Expense.
- (m) If the Board of Directors is notified by a Mortgagee holding a mortgage on any Lot subject to such mortgage that the Mortgagee requests that the Association notify the Mortgagee of any breach under these Bylaws by the Owner of the Lot encumbered by that mortgage, the Board of Directors shall cause the Association to notify that Mortgagee of any default under these Bylaws by the Owner of the encumbered Lot subject to such Mortgage, in the event such default continues for a period exceeding thirty (30) days after notice of such default to the Owner in question. This subpart (m) does not create any rights on the part of Mortgagees and the Association has no obligation to any Mortgagee as a result of this provision. Further, in the event the Association does not send a notice to a Mortgagee under circumstances contemplated by this subpart (m), the Mortgagee will have no right or remedy as against the Association.
- (n) When the Board of Directors, in its discretion, determines that a loan by the Association would be prudent, the Board of Directors shall cause the Association to borrow money on behalf of the Association and the Common Area when required in connection with the operation, care, upkeep and maintenance of the Common Area, provided, however, that the consent of Owners representing at least seventy-five (75%) of the total number of Lots in The Waters Subdivision, obtained at a meeting

duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required to borrow any sum in excess of Twenty-Five Thousand Dollars (\$25,000).

- (o) When the Board of Directors, in its discretion, determines that it is in the best interest of the Property for the Association to own one or more Lots, the Board of Directors shall acquire, hold and dispose of Lots and mortgage the same if such expenditures and hypothecations are included in the budget adopted by the Association and the purchase is approved by all of the Owners.
- (p) To the extent not inconsistent with these applicable law, these Bylaws, the Declaration or the Articles of Incorporation of the Association, the Board of Directors shall cause the Association to do such other things and acts which the Board of Directors may be authorized to do by: (1) the Declaration, (2) a resolution of the Association, or (3) applicable law.

Section 3. Election and Term of Office.

(a) The term of the initial directors appointed by Declarant shall be three (3) years. At the special meeting referred to in Article II, Section 4(b) above, the Owners shall elect the Board of Directors, and their terms of office shall be as follows: the term of office of one-third (1/3) of the members of the Board of Directors shall be fixed at three (3) years, the term of office of one-third (1/3) of the members of the Board of the Directors shall be fixed at two (2) years, and the term of office of one-third (1/3) of the members of the Board of Directors shall be fixed at one (1) year. At the expiration of the initial term of office of each member of the initial Board of Directors selected at that special meeting, a successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors are elected by the Association except in the case of earlier removal or resignation.

(b) Persons qualified to serve as members of the Board of Directors may be nominated for election only as follows:

(1) Any Owner may submit to the Secretary at least thirty (30) days before the meeting at which the election is to be held a nominating petition signed by an Owner and a statement that the person nominated is willing to serve on the Board of Directors. The Secretary shall mail or hand-deliver the submitted items to every Owner along with the notice of such meeting; or

(2) Nominations may be submitted from the floor at the meeting at which the election is held for each vacancy on the Board of Directors for which no more than one person has been nominated by petition.

Section 4. Removal or Resignation of Members of the Board of Directors. Except with respect to Directors designated by Declarant, at any regular or special meeting duly called, any one or more of the members of the Board of Directors may be removed with or without cause by

a majority vote of the Owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given at least seven (7) days' notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting at which his removal is to be considered. A member of the Board of Directors may resign at any time. A member of the Board of Directors shall be deemed to have resigned upon disposition of his Lot.

Section 5. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Owners shall be filled by a vote of a majority of the remaining Directors at a special meeting of the Board of Directors called for such purpose promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum. Each person so elected shall be a member of the Board of Directors for the remainder of the term of the member being replaced and until a successor shall be elected at the next annual meeting of the Association. Notwithstanding anything to the contrary in this Section or in the preceding Section 4, during the Class B Control Period, Declarant shall designate the successor to any resigned or removed member of the Board of Directors previously designated by Declarant.

Section 6. Organization Meeting. The first meeting of the Board of Directors following the annual meeting of the Association shall be held within thirty (30) days thereafter at such time and place as shall be fixed by the Association at the meeting at which such Board of Directors shall have been elected, and no notice shall be necessary to the newly elected members of the Board of Directors in order to constitute such meeting, providing a majority of the Board of Directors are present at such first meeting.

Section 7. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as is determined from time to time by a majority of the Board of Directors, but such meetings shall be held at least once every four (4) months during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, by mail, at least three (3) business days prior to the date of such meeting.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days' notice to each Director, given by mail, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Directors.

Section 9. Waiver of Notice. Any Director may at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to such notice having validly been given. Attendance by a Director at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time, place and purpose of such meeting. If all Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 10. Quorum of Board of Directors. At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute

the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting.

Section 11. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a minute book of the Board of Directors recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings.

Section 12. Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Board of Directors shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Board of Directors.

Section 13. Compensation. No Director shall receive any compensation from the Association for acting in such capacity.

Section 14. Fidelity Bonds. The Board of Directors shall obtain and maintain adequate fidelity bonds in an amount not less than 125% of the total annual Assessments for the year (in such form and in such greater amounts as may be required by the mortgagees) to protect against dishonest acts on the part of the officers, directors, and employees of the Association who handle or are responsible for The Waters Subdivision funds. The premiums on such bonds shall constitute a Common Expense. Such fidelity bonds shall: (a) name the Association as an obligee; (b) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression; and (c) provide that such bonds may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the mortgagees.

Section 15. No Liability of the Board of Directors, Officers, Owners, Association.

(a) The officers and members of the Board of Directors shall not be liable to the Association for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the officers and directors from and against all contractual liability to others arising out of contracts made by the officers or the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of applicable law, the Declaration or these Bylaws, except to the extent such liability is covered by directors and officers liability insurance. Officers and members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. Every agreement made by the officers, the Board of Directors or a manager on behalf of the Association shall, if obtainable, provide that the officers, members of the Board of Directors or the manager, as the case may be, are acting only as agents of the Association and shall have no personal liability thereunder (except as Owners). No Owner, as a Member of the Association, shall be personally liable for any obligation of the Association.

(b) The Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a Common Expense, or for injury or damage to person or property caused by the elements or by any Owner or any other person or

resulting from electricity, water, snow or ice which may leak or flow from any portion of the Common Area or from any pipe, drain, conduit, appliance or equipment. The Association shall not be liable to any Owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common Area. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort, arising from the making of repairs or improvements to the Common Area or from any action taken by the Association to comply with any law, ordinance or with the order or directive of any municipal or other governmental authority.

Section 16. Common or Interested Directors. Each member of the Board of Directors shall exercise his powers and duties in good faith and with a view to the best interests of the Property. No contract or other transaction between the Association and any of its directors, or between the Association and any corporation, firm or association (including Declarant) in which any of the directors of the Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because any such director is present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his vote is counted for such purpose, if any of the conditions specified in any of the following subparagraphs exist:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or the committee, and the Board of Directors or committee authorizes, approve or ratifies such contract or transaction in good faith by a vote sufficient for the purpose without counting the vote of the interested director or directors; or

(b) The fact of the common directorate or interest is disclosed or known to the Owners, and the Owners approve or ratify the contract or transaction in good faith by a vote of the Owners sufficient for the purpose; or

(c) The contract or transaction is fair to the Association at the time it is authorized, ratified, approved or executed.

Any common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction.

Section 17. Committees. The Board of Directors may establish committees as it determines are necessary in their sole discretion to assist with the duties and responsibilities of the Board in maintaining and governing the Association.

ARTICLE IV OFFICERS

Section 1. Designation. The principal officers of the Association shall be the President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint a Vice President, an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary. The President shall be a member of the Board of Directors.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors.

Section 3. Removal of Officers. Upon the affirmative vote of a majority of all members of the Board of Directors, any officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

Section 4. President. The President shall be the chief executive Officer of the Association, preside at all meetings of the Association and of the Board of Directors, and have all of the general powers and duties which are incident to the office of president of a non-profit corporation organized under the Florida Nonprofit Corporation Law including without limitation the power to appoint committees from among the Owners from time to time as the President may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Secretary. Except as provided in Section 7 of this Article relating to the appointment of a Vice President, the Secretary shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Secretary is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis.

The Secretary shall keep the minutes of all meetings of the Association and of the Board of Directors, have charge of such books and records as the Board of Directors may direct, maintain a register setting forth the place to which all notices to Owners and mortgagees hereunder shall be delivered, and in general perform all the duties incident to the office of secretary of a non-profit corporation organized under the Florida Nonprofit Corporation Law.

Section 6. Treasurer. The Treasurer shall have the responsibility for Association funds and shall be responsible for keeping full and accurate financial records and books showing all receipts and disbursements, and for the preparation of all required financial data, and be responsible for the deposit of all monies and other valuable effects in the name of the Board of Directors, the Association or the manager, in such depositories as may from time to time be designated by the Board of Directors, and in general perform all the duties incident to the office of treasurer of a non-profit corporation organized under the Florida Nonprofit Corporation Law.

Section 7. Vice President and Other Officers. In the event the Board of Directors appoints a Vice President, the Vice President shall take the place of the President and perform the President's duties whenever the President shall be absent or unable to act. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

In the event the Board of Directors appoints such other officers as it deems necessary, such officers shall perform such duties as shall from time to time be imposed upon them by the Board of Directors or by the President.

Section 8. Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of Five Thousand Dollars (\$5,000) shall be executed by any two (2) officers designated by the Board of Directors. All such instruments for expenditures or obligations of Five Thousand Dollars (\$5,000) or less may be executed by any one (1) officer designated by the Board of Directors.

Section 9. Compensation of Officers. No officer who is also a member of the Board of Directors shall receive any compensation from the Association for acting as such officer. All other permitted compensation for officers shall be determined by the Board of Directors.

ARTICLE V OPERATION OF THE PROPERTY

Section 1. Determination of Common Expenses and Common Assessments Against Owners.

(a) Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

(b) Preparation and Approval of Budget.

(1) At least forty-five (45) days before the beginning of the fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management operation, repair and replacement of the Common Area, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Declaration, these Bylaws or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Common Area and the rendering to the Owners of all related services.

(2) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. At least thirty (30) days before the beginning of each fiscal year, the Board of Directors shall send to each Owner a copy of the budget in a reasonably itemized form which sets forth the estimated amount of the Common Expenses and any special assessment payable by each Owner. Such budget shall constitute the basis for determining each Owner's assessment for the Common Expenses of the Association.

(c) Assessment and Payment of Common Expenses. Subject to the provisions of Articles 8 and 9 of the Declaration, the total amount of the estimated funds required for the operation of the Property set forth in the budget adopted by the Board of Directors shall be a lien against each Owner's Lot as provided in Articles 8 and 9 of the Declaration. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven months in such fiscal year, each Owner shall be obligated to pay to the Board of Directors or the manager (as determined by the Board of Directors) one-twelfth (1/12) of such assessment. Within ninety (90) days after the end of each fiscal year, the Board of Directors shall

supply to all Owners an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, if the Board of Directors deems it advisable, be credited according to each Owner's share of the Common Expenses to the next monthly installments due from Owners under the current fiscal year's budget, until exhausted. Any net shortage shall be assessed promptly against the Owners in accordance with their share of the Common Expenses and shall be payable either (1) in full with payment of the next monthly assessment due, or (2) in not more than six (6) equal monthly installments, as the Board of Directors may determine.

(d) Reserves. The Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including non-payment of any Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Owners according to their respective share of the Common Expenses, and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any such further assessment on all Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than then (10) days after the delivery of such notice of further assessment. All Owners shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date as set forth in the preceding paragraph (c).

(e) Initial Budget and Assessments. Upon taking office, the first Board of Directors elected or designated pursuant to these Bylaws shall determine the budget, as defined in this Section, for the period commencing thirty (30) days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Owners during such period as provided in paragraph (c) of this Section.

(f) Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his share of the Common Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each owner shall continue to pay each monthly installment at the monthly rate established for the previous fiscal year until notice of the monthly payment which is due more than ten (10) days after such new annual or adjusted budget shall have been delivered.

Section 2. Collection of Assessments. The Board of Directors, or the manager at the request of the Board of Directors, shall take prompt action to collect any assessments for Common Expenses due from any Owner which remains unpaid for more than thirty (30) days from the due date for payment thereof.

Section 3. Statement of Common Expenses. The Board of Directors shall promptly provide any Owner, contract purchaser or mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses due from such Owner. The Board of Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

ARTICLE VII MISCELLANEOUS

Section 1. Notices. All notices, demands, bills, statements, or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, postage prepaid (or otherwise as the Board of Directors may determine), (a) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Lot of such Owner, or (b) if to the Association, the Board of Directors or the manager, at the principal office of the manager or at such other address as shall be designated by notice in writing to the Owners pursuant to this Section. If a Lot is owned by more than one Person, each such Person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder. Notwithstanding anything to the contrary in this Section, notice will always be sufficient upon proof of actual delivery.

Section 2. Captions. The captions herein are inserted only as a matter of convenience and for reference only, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision thereof.

Section 3. Gender. The use of a masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders, and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

Section 4. Construction. These Bylaws are intended to comply with all applicable provisions of law and shall be so interpreted and applied.

Section 5. Severability. The invalidity in whole or in part of any article, section, subsection, sentence, clause phrase or word or other provision of these Bylaws shall not affect the validity of the remaining portions of any such article, section, subsection, sentence, clause phrase or word or other provision of these Bylaws.